

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

September 2, 2014

In 1982, the State of California Housing and Community Development Department (HCD), through its Rental Housing Construction Program (RHCP), provided financing to a private developer for the development of affordable rental housing on three scattered sites located at 1855 9th Street, 1450 14th Street and 2006 20th Street in Santa Monica (collectively, Properties). The Housing Authority of the County of Los Angeles (HACoLA) entered into a 99-year ground lease in 1982 to operate the Properties as low-income housing, as required by the HCD financing. In August 2012, HCD notified HACoLA that the state's annuity fund, which provided an operating subsidy for each of the RHCP units, will not be available after January 1, 2016. HCD highly encouraged HACoLA to consider options to financially restructure the Properties to ensure continued long term affordability. The continued operation of the Properties is not feasible without the state subsidy, as the rental income from the very low-income residents is insufficient to cover operating expenses.

On April 30, 2013, your Board authorized the disposition of the Properties to a to-be-formed California limited partnership, in which the Los Angeles County Housing

MOTION

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Development Corporation (HDC) would be the general partner. As a result the limited partnership, Santa Monica RHCP, L.P., was formed and has secured an allocation of low-income housing tax credits, multifamily revenue bonds, a seller carryback loan from HACoLA for acquisition and Section 8 project based vouchers. Unfortunately, after the financing had been secured, the current owner notified HDC that it was involved in a bankruptcy matter that involved the Properties. However, the owner is interested in selling the Properties to HDC upon the approval by the bankruptcy trustee. The purchase price for the Properties is currently estimated at \$600,000.

The funds needed to purchase the Properties can be attained by combining two available funding sources: the HACoLA-administered condominium conversion funds, which currently have a balance of \$550,000 reserved for use by the Third Supervisorial District, and Commission proceeds of \$50,000 from the 2009 sale to Menorah Housing Corporation of the County-owned property located at 10961 Pico Boulevard in Los Angeles. The \$600,000 needed to acquire the Properties would be structured as a loan to the HDC.

**I, THEREFORE, MOVE** that the Board, acting as the Commissioners of the Community Development Commission:

1. Authorize the Executive Director, or his designee, to transfer up to \$50,000 to HACoLA, consisting of sale proceeds from the County-owned property located at 10961 Pico Boulevard in Los Angeles.

**I FURTHER MOVE** that the Board, acting as the Commissioners of the Housing Authority:

1. Authorize the Executive Director, or his designee, to accept up to \$50,000 from the Community Development Commission (CDC), consisting of sale

proceeds from the County-owned property located at 10961 Pico Boulevard in Los Angeles.

2. Authorize the Executive Director, or his designee, to execute, amend and, if necessary, terminate a loan agreement, promissory note and any related documents between HACoLA and HDC not to exceed \$600,000, using condominium conversion funds and sale proceeds from the County-owned property. The promissory note shall be collateralized by deeds of trust recorded against the properties, located at 1855 9th Street, 1450 14th Street and 2006 20th Street in Santa Monica.
3. Authorize the Executive Director, or his designee, to incorporate up to \$600,000 into HACoLA's approved Fiscal Year 2014-2015 budget for the purposes described above.

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